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SECURITY INFORMATION

Assistant Director for Research and Reports

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Advisory Board, ORR

Review of ORR Research Program

1. The specific purpose of this review is to determine the present position and progress of the 3-51 (and 3-52) extension series, and to make recommendations regarding them. Another object is to develop the basis for an over-all research program. These projects were selected presumably to fill the gaps and to strengthen the weaknesses in Task Force I. They are also intended inherently to improve ORR's position to cope with the major economic intelligence problems relating to national security. These problems have been spelled out generally in an office paper.^(a) Moreover, the guide to commodity and industry studies^(b) points the way to the kind of information required for their solution.

2. The projects, however, as judged by those which have been published, appear to be deficient in meeting the objectives. The reasons for this situation are discussed below. Moreover, the program as a whole has lagged so that the time schedule has little meaning. An estimate of the present status of the program comprising 86 projects is as follows:

- 11 papers have been published
- 7 papers are in various stages of review
- 33 projects are scheduled for editorial review by June 1952
- 5 projects are scheduled for editorial review by 1 September 1952
- 19 projects may be carried over into 1953
- 3 have been continuously delayed
- 8 have been cancelled

3. This estimate on unfinished projects is based on statements by the individual concerned to D/R and is admittedly optimistic. The current report on status, shows about one-half of these projects are either in the initial stages or less than one-third complete. The remainder are reportedly better than two-thirds completed, but judging from past performance since last July with regard to postponements, the reported schedules are always optimistic. The demands of other work, including outside projects such as OPC, NIE, and others, may account for these delays; but this is somewhat outside the scope of the present inquiry.

(a) "The Role of ORR in Economic Intelligence", 1 August 1951. See also footnote on page 3.

(b) "Suggested Check List for Commodity and Industry Studies", 13 December 1951.

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4. Of greater interest perhaps than the time schedule is the question as to whether these projects serve a useful purpose commensurate with the time and effort required to complete them as formal reports. The value of most of the reports from the viewpoint of the over-all intelligence objective^(a) appears questionable. With some exceptions the reports made to date in this series, particularly those relating to specific subjects, are not of a definitive character, are narrow in scope, and in most cases, lack critical aspects.

(b)

5. The temptation in such cases is to "window trim" and to include large amounts of extraneous and generally irrelevant material from the intelligence viewpoint to cover up sparseness of information and deficiencies generally. This was a defect of many of the contributions to Task Force I although some of them were commendable. In addition to the above general criticism the writer pointed out in his critique of Task Force I, specific cases of unwarranted conclusions and questionable estimates in many of the contributions; failure to disclose techniques and methods employed to make estimates, and/or sparseness of use patterns, requirements, and input data generally. These gaps are generally not filled by the present published contributions; except in one notable case.^(c)

(a) This could be generally stated as foreign economic intelligence relating to national security as (e.g., determination of the economic capabilities and vulnerabilities of the Soviet Bloc) and more formally to quote the criteria in the office paper referred to: "(1) to estimate the magnitude of possible present or future military or other threats to ourselves and our allies.....(2) to estimate the character and location of possible present or future military or other threats.....(3) to assist us in estimating, within the range of the possible, the intentions of the USSR or any other potential enemy.....(4) to help policy-makers decide what we can do to reduce possible or probable military or other threats by impairing an enemy's economic capabilities to carry them out.....(5) to assist in estimating the probable development of the relative strengths of the East and the West over the next few years if global hostilities are avoided."

(b) Some of these deficiencies in the 3-51 series are specifically, but briefly, pointed out in Appendix I.

(c) This publication on ^{INPUTS} ~~imports~~ in aircraft production represents a basic study of the type referred to in the present report under Recommendations.

There are several cases, however, mainly because of the nature of the subject, where some of these specific criticisms do not apply.

6. A study of the projects leads one to believe that there was much lacking from the viewpoint of good research direction in their selection. It is obvious that the program as a whole was not conceived with the idea of an unified objective. From the nature of the program and the individual projects one could justifiably draw the conclusion that in the majority of cases the analyst was free to choose his subject, and the method of pursuing it. The result is that the program is non-cohesive and tends to be aimless. It is, of course, recognized as good practice from the morale viewpoint, as well as from the standpoint of the results, that the analyst should be allowed some freedom for exploration. He should also be given the opportunity at all times to make suggestions and be given considerable freedom in doing the actual work with guidance from his superiors. However, the formulation of the program as a whole and its coordination and over-all direction must be left to more experienced and competent individuals. This is even more desirable in the field of intelligence, which has so many facets and aspects, than in many other fields of research. (a)

7. All of the above discussion sums up the conclusion that good direction is required to produce good intelligence and its component parts.

8. Recommendations:

a. It may be emphasized here that the work done in connection with these projects is not completely sacrificed. The wasted effort results mainly from wrong emphasis and the attempt to expand subject matter of relatively minor content, from the intelligence viewpoint, into unwarranted formal publication. It is believed that reorientation and systematizing will result in greater efficiency and a much better product. It will also reduce a useless burden on the Reports Division and enable them to direct their efforts to more important projects.

b. The final products of ORR aside from the 3-51 series are currently: contributions to NIE's, The Joint Chiefs, State, WDCG, and comprehensive self-initiated office projects. A large part of the effort is also directed to the laborious contributions to OPC. All of these intelligence products require basic data and

(a) The manifold qualifications required for coordinating the various components which go to make up the broad intelligence estimate may be lacking also, in some cases, at somewhat higher levels of research direction. The assumption that the analyst, or his immediate superiors, are "skilled in the art" or are experts in the technical fields with which they are concerned is not true in many cases. Moreover, there are some individuals who are trained in their respective technical fields, but who lack the objective approach required for good research. The competent intelligence officer, whatever his basic education and training is somewhat rare because of the nature of the problems to be solved.

information. The compilation of these basic data (covering a variety of industries and commodities with respect to the Soviet Bloc on a current basis as well as for the past, and for future projections) must be a continuing process.

c. It is proposed that the efforts now expended on series 3-51 and 3-52 be directed to making basic studies (to be used in connection with all of the products of ORR) by incorporating all of the information relating to the separate fields of interest into these basic studies. This procedure would be along the lines of that relating to petroleum^(a) and coal in which all of the 3-51 series (3 on coal and 5 on petroleum) have been combined into one 3-52 project for each, virtually constituting basic studies. When these reports are completed a careful combing of the mass of material would permit publication of definitive reports.

d. The specific recommendations shown in Appendix I-A on all of the 3-51 and 3-52 series projects generally follow this principle except in some special cases. It may also be found desirable to combine them in a somewhat different manner (e.g., two basic reports -- one for the USSR and one for the Satellites -- especially where more information is available on one area than on the other. Alternatively, a somewhat different combination of the commodities. Even this presentation will still preserve the advantages of the procedure.

e. Appendix I-B is included for completeness and to illustrate the other activities of ORR and shows Task Force I contributions.

f.^(b) The following broad classification of the economy (in line with division interests) is shown as a guide for the basic studies.

(a) The basic studies on petroleum stem from ORR 2449, IM-181 and The Munitions Board Project (IM-181-II.) These were done in the latter part of 1949 and during 1950 under the writer's direction and from the beginning were designed to be basic and definitive reports.

(b) For a detailed and carefully worked out Industrial Classification from which additional industries and commodities may be selected, reference is made to the list accompanying memo from the ORR Industrial Classification Committee dated 21 April 1952. The major groups of this classification is shown in Appendix II. These in turn are broken down into minor groups.

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(1) Materials:

- (a) Ferrous metals and minerals — iron and steel industries; ferro-alloys; etc.
- (b) Non-ferrous metals and minerals
- (c) Non-metallic minerals
- (d) Solid fuels — coal, etc.
- (e) Chemicals — basic and special; selected products; chemical industry
- (f) Petroleum — production; refining; transportation; special products
- (g) Food and agriculture — (forestry and timber); grains; meats; livestock; cotton; wool; etc.
- (h) Special commodities and consumers goods

(2) Industrial:

- (a) Weapons
- (b) Munitions
- (c) Aircraft
- (d) Shipbuilding and Naval equipment
- (e) Production equipment and machinery (including specialized industrial equipment)
- (f) Machine tools
- (g) Construction equipment and machinery
- (h) Mining equipment and machinery
- (i) Agricultural equipment and machinery
- (j) Transportation equipment and machinery
- (k) Electrical equipment and electronics
- (l) Capital goods generally

(3) Economic Services:

- (a) Transportation, — rail, motor, water
- (b) Construction
- (c) Communications
- (d) Trade and finance
- (e) Labor and manpower
- (f) Electric power
- (g) Economic organizations and programs

(4) Economic Analysis: (a)

- (a) Economic
- (b) Economic Analysis — methods, concepts, techniques
- (c) Economic surveys

(a) Reports by this Division (aside from special ones) will include Techniques and Methods, The Economic Intelligence Handbook, Correlations, and special reports as requested.

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(5) Operational Support: Economic warfare, export control, foreign economic programs, economic strategy, etc. Progress reports from this group should be made at regular intervals to show scope of operations and results.

(a)

(c) Area Analysis:

(a) Definitive reports on the Soviet Bloc as a whole and its various components of the USSR and Satellites.

(b) Definitive reports based on information on the non-Soviet areas, originating in ORR or outside support sources.

(7) Definitive reports:

(a) When the basic studies are completed it is proposed that they be made the basis of definitive reports on various industries and commodities and other segments of the economies of the various countries comprising the Soviet Bloc. These definitive reports will be among the major contributions of ORR. For illustrative purposes the broad subjects shown in connection with the basic studies (in line with division interests generally) may be considered also for definitive reports. Subdivisions of these broader categories may also be considered (on a limited basis and by special approval) for definitive reports depending on whether the industries or commodities are of a critical nature (in short supply) or possess some other unique character from the intelligence viewpoint, or have been especially requested. These possible subdivisions may be illustrated, for example, by careful selection from the list of branch projects.

(b) The definitive report should be clear and concise and should develop the information and data with a very brief introduction with regard to history, location, organization and technology of industry. The definitive report as well as the basic study should include information on:

(a) Area analysis is included because it appears to be a much neglected subject from the viewpoint of competent correlators and writers who have the necessary substantive knowledge. The contribution to NIE-50 (Probable Developments in Eastern Germany Through 1952 (IP-250)) illustrates the requirements in this respect. Also, while the major emphasis of the program of the Board of National Estimates is on the subject of Communist Intentions and Capabilities and Soviet Strategy, a very considerable part of the program is directed to problems and probable developments in non-Communist areas. 1952

(b)

((1)) Production facilities and resources
(both existing and convertible);

((2)) Supplies including outputs and production
capacities, stockpiles, inventories, reserves;

((3)) Inputs and input requirements;

((4)) Use pattern and use requirements, substitu-
tes, and;

((5)) Wherever possible a summary analysis
balancing supply, use pattern and use requirements. (a)

(c) Techniques and methods employed in arriving at
the results reported should be clearly stated in the Appendix.
For specific suggestions reference is made to the check
list for commodity and industry studies dated 13 December 1951
shown here in Appendix III. Detailed breakdowns of the
information desired of various areas, industries, and
commodities are presented also as suggestions in Appendix
III-A.

(d) The preparation of the definitive report from
the mass of data in the basic study is the job of one
who understands the field, and has the knack of presenting
technical matter in a clear and concise manner.

g. Specific Recommendations on Reporting: The following
suggestions are made to systematize and expedite reporting of
basic studies:

(1) Comprehensive reports on the basic studies should be
submitted by 1 September. These are to be working reports and
will follow in general the suggested check list of 13 December 1951.
They are to contain all information pertinent to the subject
from the intelligence viewpoint. The introduction containing
general historical and technological information should be
out to the minimum. (Technological and encyclopedic matter
which does not have a direct bearing on the intelligence
problem should not be included.) A complete literature search
(pertinent to the intelligence aspects of a subject and area)
should be made. This should include such material as Soviet

(a) The technique of balancing supplies (particularly production and imports)
against use pattern requirements was found useful in IM-181 with respect to
selected items (steel, petroleum, aluminum, electric power, and professional
technical manpower) for broad categories of the economy including agriculture,
transportation, industry (as a whole), domestic use and the military. From
this balance rough estimates of supplies and deficits were determined.

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publications, [redacted] Doctoral dissertations (and external research sources generally) as well as the results of the Basic Intelligence Division. A complete bibliography should be included. All techniques and methods employed should be included with full explanation of the basis of selection of the path leading to the accepted estimate.

(2) A carefully edited formal and definitive report based on the basic working report is to be submitted by 1 December 1951.

(3) Supplementary reports to the basic studies showing revisions of non-current data, and brought up to date, should be made every six months. In case of any revisions, all related or interdependent estimates must be simultaneously revised to preserve consistency. When no revisions are to be made, a brief memorandum so stating is sufficient.

(4) Formal reports covering current year estimates should be made as completed.

(5) Continual reporting is to be made to the Estimates File (Economic Analysis Division) on all raw data and all changes in old data as well as on methods and techniques employed in arriving at the results. This will particularly include all changes contemplated for use in reports arising from formal reports. All related or interdependent estimates must be simultaneously revised to preserve consistency where revisions are made.

9. The above discussion and recommendations relate to Part I of the Review of ORR Research Program and furnishes the basis for decisions with respect to current activities.

10. An additional report (Part II) is in progress which relates particularly to certain weaknesses in organization, personnel and research methods. These result in conflicting estimates and are reflected in otherwise well arranged and soundly conceived products and contributions such as The Handbook, NIE-40, NIE-44, JIC Capabilities Study, ORR-110. The meritorious techniques proposed by the economic analysis group are also handicapped by these inherited infirmities. These various questions will be discussed and illustrated. There is no panacea for this situation, and to some extent it is inherent in the nature of the work. However, a system of substantive checks which puts the burden of proof on the analyst and accountability by his superiors where reasonable questions arise, would go far in helping to remedy the difficulties.

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Enclosures

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